



Health Services
LOS ANGELES COUNTY

Los Angeles County
Board of Supervisors

April 17, 2006

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Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

TO: Each Supervisor

FROM: Bruce A. Chernof, M.D.
Acting Director and Chief Medical Officer

SUBJECT: **SOLE SOURCE AGREEMENT WITH HEALTH MANAGEMENT ASSOCIATES**

Bruce A. Chernof, MD
Acting Director and Chief Medical Officer

John R. Cochran III
Chief Deputy Director

William Loos, MD
Acting Senior Medical Officer

This is to inform you that the Department of Health Services (DHS) intends to request the Board's approval to execute a sole source Agreement with Health Management Associates (HMA) for consultant services related to the facilitation of clinical redesign and restructuring of the LAC+USC Healthcare Network.

Due to an oversight, the required advance notification of DHS' intent to enter into a sole source agreement was not provided to the Board. The purchase order that HMA had been operating under has been exhausted and their invaluable services have ceased. As the LAC+USC replacement project target date is rapidly approaching, it is vital that the requested Agreement be considered by the Board as quickly as possible. Additional information is provided in the attachment.

DHS will submit a Board letter for your consideration to approve the HMA agreement on the May 2, 2006 Board agenda.

If you have any questions, please let me know.

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Attachment (1)

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors

*To improve health
through leadership,
service and education.*

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COUNTY OF LOS ANGELES – DEPARTMENT OF HEALTH SERVICES

March 27, 2006

TO: Bruce A. Chernof, M.D.
Acting Director and Chief Medical Officer

FROM: John R. Cochran, III
Chief Deputy

Pete Delgado, Chief Executive Officer
LAC+USC Healthcare Network

SUBJECT: **REQUEST FOR SOLE SOURCE AGREEMENT WITH HEALTH
MANAGEMENT ASSOCIATES**

This is to request your concurrence and approval to initiate a sole source agreement with Health Management Associates in the amount of \$649,500 for consultant services related to the facilitation of clinical redesign and restructuring of the LAC+USC Healthcare Network.

The agreement will be effective from the date of Board approval through April 30, 2007, with delegated authority to extend the agreement for an additional twelve (12) months and increase the budget by no more than 50% if extended. The cost will be 100% offset by the Office of Ambulatory Care's Fiscal Year 2005-06 Final Budget.

BACKGROUND

LAC+USC Medical Center's replacement hospital is scheduled for occupancy in November 2007. The Medical Center's leadership team has already initiated an intensive planning process to facilitate a smooth transition to the new facility. However, the replacement hospital is significantly smaller with a different complement of inpatient and outpatient capabilities than the current hospital. While efficiencies associated with either the improved physical plant and state of the art equipment will mitigate many problems related to the move to the smaller facility, there will be changes to the clinical program at LAC+USC that will have an impact on the other DHS hospitals and partner providers. To proactively address these issues, a DHS system-wide planning effort has been initiated to determine the impact of the change to LAC+USC's clinical footprint on the other facilities, develop strategies to mitigate any adverse care delivery impacts, and implement appropriate plans throughout the safety net.

In anticipation of the transition to the replacement facility, the Clinical Redesign Project is a joint project with the University of Southern California (USC) Keck School of Medicine. Planning efforts related to this project have been ongoing since June 2005. At that time, HMA was engaged by the Department through the execution of a purchase order. This purchase order has been exhausted. Additionally, USC entered into an agreement with HMA that has partially paid for their services to date. However, additional work and an expanded scope of services is deemed necessary to ensure a smooth transition of clinical programs.

In the current facility, most clinical departments have their own wards or units. Modern hospitals are not configured in this fashion. Therefore, allocating bed space to accommodate all patients within the spectrum of general medical/surgical beds versus monitored beds versus intensive care beds is a complicated endeavor. Further, it is critical to determining future resource allocations, budgets, and staffing plans for the replacement facility.

The ambulatory care program is also critical and needs to be fully developed to maximize the physical space available to outpatient programs, and more importantly, to be configured in such a way as to provide timely care so that some hospital admissions can be avoided and patients can be seen in the most appropriate and cost-effective venue. Additional expert analysis by HMA is required to determine the complement of outpatient programs and services that will best meet the needs of the community.

HMA will also provide guidance and advice on clinical workflow redesign. Expert efforts are needed to fundamentally change how a variety of clinical services, such as surgical and emergency room services, are handled to improve efficiency. These improvements are critical to meeting the Harris and Rodde settlement agreements, and are also critical to providing optimal patient care.

HMA's work to date has been to: 1) analyze the current configuration of inpatient services at the Medical Center, 2) implement processes for evaluation of inpatient capacity needs by service, and 3) catalogue the impact of these changes on residency training programs and staffing needs. The next phase of their work will be expanded to include outpatient programs and to continue work on refinement of the inpatient program redesign.

SERVICES TO BE PROVIDED

As a consultant, HMA will provide consultant services related to facilitation of clinical redesign and restructuring of the hospital. This includes, but is not limited to, the following areas: final bed allocation/needs, identification of opportunities for operational efficiencies, development of initiatives with other divisions of the Department to reduce use of beds and support partner institutions, assessment of potential synergies between LAC+USC and USC's hospital to assure maximum coordination, address various efforts currently underway to address patient length of stay, supervise the clinical redesign and service allocation efforts related to the ambulatory care configuration of the new hospital, and development and implementation of specific plans resulting from these activities.

JUSTIFICATION

HMA is extremely qualified for this project because the principals possess unique experience in the area of public hospital operations and transitioning hospital-based programs to new facilities. One of the HMA principals was responsible for operations of the Cook County, Illinois public health system and oversaw the move of that County's public hospital to a replacement facility. The other principal was also significantly involved in the Cook County hospital move and is a physician.

Additionally, in June 2005, HMA was retained by DHS through the execution of a purchase order for consulting services related to this project. Therefore, they possess first-hand knowledge of the clinical programs at LAC+USC and the replacement hospital's footprint. HMA's unique qualifications, expertise, and knowledge of the project to this point make this firm the best option for the project.

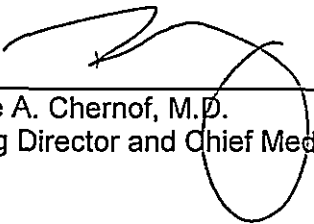
Thank you for your consideration of this request. Please let us know if you have any questions.

JRC:PD:AR

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c: Wesley Ford
Anne Robinson
Fred Leaf
Eva Guillen

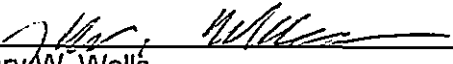
NOTED AND APPROVED:



Bruce A. Chernof, M.D.
Acting Director and Chief Medical Officer

4/8/06

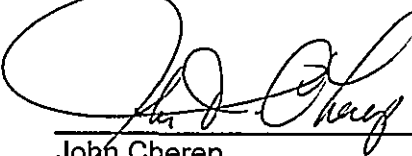
Date



Gary W. Wells
Director of Finance

4/6/06

Date



John Cherep
Director, Human Resources

4/7/06

Date